

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 198 – SB 209

March 18, 2015

**SUMMARY OF ORIGINAL BILL:** Changes every driver license, excluding Class P licenses, issued by the Department of Safety (DOS) to a validity period of eight years. Authorizes the Commissioner to issue an initial license or a renewed license for three to eight years in order to transition such licensees to the proposed eight-year renewal cycle. License fees for licenses issued for less than an eight-year period will be prorated accordingly, provided, that \$2.00 is deducted from the gross prorated fee. Makes other technical changes to effectuate eight-year issuance periods.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$6,409,200/FY15-16  
\$12,818,500/FY16-17  
\$12,818,500/FY17-18  
\$12,818,500/FY18-19  
\$12,818,500/FY19-20

Decrease State Revenue - \$23,604,400/FY20-21  
\$20,651,200/FY21-22  
\$3,916,400/FY22-23 and Subsequent Years

Decrease State Expenditures- \$2,953,300/FY20-21  
\$2,953,300/FY21-22  
\$1,772,000/FY22-23 and Subsequent Years

**SUMMARY OF AMENDMENT (004288):** Deletes and rewrites bill such that the only substantive change is a \$2 price increase for an eight year Class A, Class B, and Class C licenses.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue - \$1,216,700/FY15-16  
\$3,296,900/FY16-17  
\$5,517,500/FY17-18  
\$8,108,100/FY18-19  
\$8,231,500/FY19-20

Decrease State Revenue - \$1,884,500/FY20-21 and Subsequent Years

HB 198 – SB 209

## Decrease State Expenditures - \$1,467,500/FY20-21 and Subsequent Years

Assumptions for the bill as amended:

- Effective date of the bill is January 1, 2016.
- Current driver licenses are issued for a period of five years and shall expire on the licensee's birthdate, excluding Class P licenses, which shall expire one year from the date of initial issuance. DOS is authorized to issue an initial license that shall remain valid for three to seven years in order that such licensees would renew on the birthdates for individuals whose age is divisible by five. If the applicant is under 18 years of age and is not applying for a Class P license, then the license shall expire on the applicant's 21<sup>st</sup> birthday. License fees due under Tenn. Code Ann. § 55-50-323 shall be prorated to reflect the appropriate fee for a renewal cycle that is greater than or less than the current five year cycle.
- Under the provisions of the amended bill, DOS is authorized to issue an initial or a renewed license for three to eight years in order to transition such licensees to the proposed eight-year renewal cycle. DOS has indicated it will use varied length licenses to fully transition to the eight year renewal cycle by year six of the program.
- According to information provided by DOS, the following are the average number of renewals for each license type over the last five years:

License Type	Average of all License Types Issued	Non-renewal Transactions	Renewal Transactions
A	37,693	5,654	32,039
B	11,301	1,695	9,606
C	1,477	222	1,255
D	1,329,536	199,430	1,130,106
M	45	7	38
Photo ID	177,998	26,700	151,298
<b>Total</b>	<b>1,558,050</b>	<b>233,708</b>	<b>1,324,342</b>

- Under current law, the five-year fee structure is as follows:

License Type	Current Driver Service Fee	Application Fee	Total plus app fee	Per year (with app fee divided by 5 years)
A	\$40.00	\$6.00	\$46.00	<b>\$9.20</b>
B	\$35.00	\$6.00	\$41.00	<b>\$8.20</b>
C	\$35.00	\$6.00	\$41.00	<b>\$8.20</b>
D	\$17.50	\$2.00	\$19.50	<b>\$3.90</b>
M	\$17.50	\$3.00	\$20.50	<b>\$4.10</b>
Photo ID	\$7.50	\$2.00	\$9.50	<b>\$1.90</b>

- Under the provisions of the amended bill, the eight-year fee structure is as follows:

License Type	Proposed Driver Service Fee	Application Fee	Total plus app fee	Per year (with app fee divided by 8 years)
<b>A</b>	\$64.00	\$6.00	\$70.00	<b>\$8.75</b>
<b>B</b>	\$56.00	\$6.00	\$62.00	<b>\$7.75</b>
<b>C</b>	\$56.00	\$6.00	\$62.00	<b>\$7.75</b>
<b>D</b>	\$26.00	\$2.00	\$28.00	<b>\$3.50</b>
<b>M</b>	\$26.00	\$3.00	\$29.00	<b>\$3.63</b>
<b>Photo ID</b>	\$10.00	\$2.00	\$12.00	<b>\$1.50</b>

- Under the provisions of the amended bill, the loss per licensed year is as follows:

License Type	Current Law per Licensed Year	Bill per Licensed Year	Loss per Licensed Year
<b>A</b>	\$9.20	\$8.75	<b>\$0.45</b>
<b>B</b>	\$8.20	\$7.75	<b>\$0.45</b>
<b>C</b>	\$8.20	\$7.75	<b>\$0.45</b>
<b>D</b>	\$3.90	\$3.50	<b>\$0.40</b>
<b>M</b>	\$4.10	\$3.63	<b>\$0.47</b>
<b>Photo ID</b>	\$1.90	\$1.50	<b>\$0.40</b>

- Based on calculations provided by the Department of Safety, using an altered 3 to 7 year transition license, the first five years under this amended bill will produce a net revenue gain. Beginning in FY20-21, the lower per year cost of the integrated eight year licenses will result in a net revenue loss.

<b>FY15-16</b>	<b>\$1,216,658.64</b>
<b>FY16-17</b>	<b>\$3,296,876.79</b>
<b>FY17-18</b>	<b>\$5,517,458.38</b>
<b>FY18-19</b>	<b>\$8,108,136.89</b>
<b>FY19-20</b>	<b>\$8,231,502.54</b>
<b>FY20-21 &amp; Subsequent Years</b>	<b>-\$1,884,480.25</b>

- FY20-21 and beyond projects a fully integrated new pricing system.
- All calculations have taken in to consideration the proposed effective date of January 1, 2016.
- DOS has indicated a current \$2.23 price per card produced.
- DOS reports the current card production contract ends March 1, 2016. The price per card will likely change with a new contract. It is not possible to predict future price per card contract prices, but the department has noted that the price per card could increase or decrease in the new contract. It is assumed the eight year renewal cycle will likely affect

the future card price when compared to the five year renewal. For purposes of estimating projections, the \$2.23 price point will be used.

- The eight year renewal cycle, when compared to a five year cycle, will result in a lower number of cards produced by DOS overtime.
- During the variable length five year transition period, card production numbers are projected to remain constant due to various renewal lengths issued to the public.
- DOS reports an estimated 658,050 fewer cards will be required each year once the transition to the eight year renewal cycle is fully integrated in FY20-21.
- The annual savings in card production is estimated to be \$1,467,451.50 (658,050 x \$2.23) beginning in FY20-21.

### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, appearing to read "Jeffrey L. Spalding", written in a cursive style.

Jeffrey L. Spalding, Executive Director

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